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2013 Activities and Accomplishments

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Report Highlights:

During the course of 2013, ATO/Beijing has worked with USDA cooperators and other stakeholders, as well as exporters, regulators and other Embassy offices, to build markets for U.S. agricultural, fisheries and forestry products in North China. The following report outlines ATO's activities and details key events and trade successes.

ATO/Beijing 2013 Activities and Success Stories:

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ATO/Beijing Key Activities and Accomplishments, 2013

China remains the largest single market for U.S. agricultural products in the world. Within this, the North China region covered by the Agricultural Trade Office in Beijing (ATO/Beijing) is the largest in both geographical size and total GDP. Like other China ATOs, ATO/Beijing is active in all aspects of trade in food, agriculture, fisheries and forestry, working with products as diverse as hardwood lumber, live breeding swine, infant formula and seafood. An item-by-item recount of ATO/Beijing activities over the past year would be overly long. Following are some of the highlights from 2013. First, however, it is important to keep in mind the foundation work that makes success possible:

Building the Foundation

The daily grind of ATO work includes a constant buzz of smaller efforts that are easily overlooked, but are critical to market development.

Exporter Counseling: ATO regularly engages potential and current U.S. exporters in discussions of marketing issues in China. These happen by email, through face-to-face meetings, conference calls and side discussions at trade shows, promotions and other events. Topics range from a general briefing on markets and opportunities, to detailed readouts of current policies affecting specific products. This can include spot checks on specific issues for exporters: among other things, ATO has done a number of informal shelf surveys of local product pricing to help U.S. companies determine their competitiveness in the market. Many success stories originate with these discussions.

Briefings and Visitor Support: Formal briefings, typically for U.S. state government delegations, academic groups, agricultural leadership programs and trade delegations are also an important part of ATO's work. While these briefings do not generate immediate sales, they help to communicate important information about markets and opportunities, which lead to further conversations, which in turn lead to export opportunities. ATO also supports industry and state government delegations in setting up appointments with key industry and government contacts. Formal briefings likely number in the dozens per year, but other visitor meetings number well into the hundreds.



Distributor Lists: ATO/Beijing responded to an estimated 400 or more inquiries for distributor lists in 2013. ATO maintains lists specific to retail, HRI, dairy products, seafood, wine and other major categories. This service, like all others, is offered free to exporters of US products, but inquiring companies only occasionally report back their results. Many companies prefer to keep their successes to themselves, rarely divulging the sales values of connections ATO has made for them.

Cooperator Support: USDA Industry Cooperators are a critical component in the overall U.S. effort to build agricultural exports. Cooperators plan and organize industry-specific events that are critical in building depth to our trade relationships. ATOs routinely support these events, demonstrating to their audiences U.S. government recognition and support of industry efforts. In a market like China, an official presence adds credibility to efforts by industry groups that may not have wide representation. For small industry groups that lack representation in China, ATO frequently acts on their behalf, helping make connections with important actors in the Chinese government and industry. Over the course of the past year, ATO actively participated in an estimated 40-50 cooperator-organized events. These events are not counted among ATO's successes, as they are cooperator initiatives.

Outreach: ATO contacts with Chinese importers and industry groups don't come out of thin air. They are built and maintained through constant outreach. Groups range from retailers and other potential buyers to industry groups with an interest in imports like the China Agricultural Wholesale Markets Association, the China Institute for Food Science and Technology or the China Animal Agriculture Association. ATO estimates it undertook a total of 300-400 outreach meetings over the course of the year, ranging from brief introductory meetings to in-depth discussions of future collaborative efforts. To give an example, ATO's continuing work with the China Chain Store Franchise Association allowed ATO to connect with regional chains in interior China, where future demand growth is likely to be focused.

Detentions/Customs Valuation: This year saw a spike in detentions relating to Customs valuations, as China seeks to crack down on the widespread practice of under-invoicing shipments, as well as the usual issues with quarantine documentation. Typically, ATO works with local importers and Customs or Quarantine officials to clarify the concerns and get cargoes released. In some cases, such as fresh cherries, ATO has been able to reduce frictions by working directly with Chinese authorities. Several cases are cited in the stories below, but these represent a fraction of the total. Many cases cross ATO regions and involve efforts by multiple FAS offices in China. The Animal and Plant Health Inspection Service (APHIS) office in Beijing is typically the lead on quarantine-related cases.

Importer/Retailer Support: It is easy to overlook the Chinese importers that market U.S. products, but without their hard work, nothing would happen. ATO devotes considerable time to participating in the promotional events of these companies, demonstrating U.S. government support and our general appreciation for their efforts to promote U.S. products. In a country where counterfeits are common, the ATO presence helps assure customers that the products on sale are genuine imports from the United States. This, in turn, adds to the retailer's confidence and willingness to carry U.S. products.

Other Products: ATO puts a considerable amount of effort into advocating on behalf of products that lack specific industry representation: in the past year we've fielded inquiries as obscure as live turtles, deer antler velvet and wild ginseng. While products such as these require additional legwork, experience has taught that success can come from surprising sources.

A final item that rarely gets mentioned is assistance to buyers on visa issues. ATO expends a great deal of time each year in helping Chinese buyers who are interested in visiting the U.S. to source products. While ATO tracks the return of buyers it provides assistance to, it is difficult to quantify the value of sales generated, particularly for travel related to training. Over time, however, the impact can be immense: in one case dating back to 1998, consistent support by FAS over 15 years for annual buyer travel helped a U.S. tree nut trader grow its China business from nothing to a trade now worth roughly \$100 million per year.

Nothing Is Accomplished Alone

ATO does not operate alone. Every success is the product of interaction between ATOs, State and Regional Trade Groups, industry and USDA Cooperator groups, Chinese importers, U.S. exporters, regulators like the APHIS and the Food Safety Inspection Service, the Agricultural Affairs Office in Beijing, and the other China-based ATOs. The system of ATOs, industry groups and SRTGs remains a unique and powerful asset that has no equivalent amongst our competitors. An exporter may get local retail contacts from one ATO while working with another ATO on trade shows, and importing through a distributor based in yet a third ATO region. The same exporter may also get SRTG support to participate in the trade show, while benefiting from product demos and PR activities organized by USDA Cooperator groups.

Case Study: BHG High-End Markets – A good example is the story of BHG High-End Markets, which now purchases in the range of \$25 million in U.S. products annually. Initial contact came during an ATO/Beijing promotion in 2009. Over the next year, ATO introduced the chain to local importers, adding more U.S. products to their selection. ATO then launched a retail promotion with BHG in 2010 that connected them with USDA cooperators, resulting in more product placements, particularly fresh fruit. Cooperators followed up with their own events: the Dairy Export Council, for

example, conducted in-store demos for cheese, while the Meat Export Federation provided supplier contacts for pork. When the Organics Trade Association sought recruits for an organics buying mission, ATO connected them with BHG, and sent staff to help translate, resulting in BHG's first direct purchase of U.S. organics. BHG visited the ATO/Shanghai-organized U.S. pavilion at SIAL in 2011, identifying even more suppliers. The same



Customers at a U.S. pork cooking demonstration in BHG's Sogo Mall store.

year, ATO/Beijing launched a 13-store promotion with BHG that saw the introduction of U.S. pork, thanks to the Meat Export Federation. This was followed by a nationwide promotion in 2012, roping in stores in second tier cities such as Hohhot and Nanjing. Today ATOs and cooperators continue to work with BHG, attending new store openings and introducing new products on a regular basis.

Key Accomplishments for 2013

The following success stories are broken into short-term successes (single activities yielding immediate sales); continuing successes (ongoing efforts with long-term partners); interventions where ATO involvement resolved or avoided a problem with existing trade; consumer outreach successes that built recognition for U.S. products; and some of our more notable government outreach efforts that smoothed trade in a key area.

Short-Term Successes

Tabletop Trade Show – In October, ATO/Beijing organized a tabletop trade show, taking advantage of the presence of a number of companies headed to the Food and Hotel China trade show. The purpose of the tabletop show was to bring the major importers in Beijing/Tianjin together with both local retail and HRI buyers, and with distributors in remote cities. The event, hosted in the Hilton Hotel, attracted 28 exhibitors with everything from seafood, to dairy products, to packaged foods. Over 70 industry visitors attended, including retailers, e-commerce operators, HRI suppliers and sub distributors from second and third tier cities. Five of the participants report booking \$1.5 million in sales, with sales estimates unavailable from the other participants.

Amazon.cn – On December 20, ATO/Beijing launched its first major collaboration with Amazon.cn, the Chinese counterpart to Amazon.com, featuring roughly 1,000 SKUs of U.S. products, of which over 100 were sourced through their direct-buying operation. Although the event was still ongoing at the time of this report, sales had reached an estimated \$300,000. The promotion was timed for the Western holiday season, and featured a large number of seasonal items, which are growing in popularity with Chinese consumers.

Womai.com – ATO has also worked with online retailer Womai.com. In addition to placements for U.S. International Foods and other connections noted elsewhere in this report, ATO kicked off a fresh fruit promotion with Womai.com during the holiday season. The availability of red pears from the United States will be favorable for the upcoming Chinese New Year, when red-colored fruit is highly preferred. Womai.com is a division of state-owned import powerhouse COFCO, whose distribution network runs nationwide, and which has shown a renewed interest in consumer-ready products. Along with Amazon.cn, Womai is one of the few online retailers with direct sourcing offices in the United States. ATO is currently assisting a U.S. manufacturer of instant beverages to understand the market as they develop a line of own-brand coffee drinks for Womai.com.

JD.com promotion – ATO launched a first-ever online promotion with major on-line retailer JD.com (formerly 360Buy). The scale of this trial event was relatively small, and sales amounted to roughly \$50,000. ATO also

connected JD.com to the Wine Institute to participate in their wine trade mission. JD.com's original focus was on household appliances, and they are relatively new to food retail. As a result, they have moved conservatively compared to other online platforms, but are reportedly in discussions with Tencent on combining e-commerce operations.

DutyFree Beijing – ATO first met with Beijing Duty Free Stores in April, 2013. Over the course of several meetings, ATO helped BDFS understand U.S. products and supply channels, putting them in contact with a number of U.S. consolidators. This resulted in an initial sale of a consolidated container of packaged foods worth \$50,000 by consolidator Paramount, their first shipment direct to North China. Further orders will depend on sales. Followup meetings with BDFS indicate that potential may be greater than initially anticipated, as the Beijing operation acts as a distribution center for DFS stores in at least five cities across China.

CNR Mall/QVC – Over the past two years, ATO has kept up an ongoing dialogue with TV shopping network CNRMall. However, a management reorganization delayed work on this. QVC recently purchased CNRMall, and now that their management team is in place, ATO has been able to introduce a number of U.S. food products importers to them. The first order has finally shipped, for roughly \$90,000 in mixed shelf-stable snack foods via a Beijing-based importer that ATO first made contact with last year.

U.S. International Foods – ATO/Beijing has continued to work with this Missouri-based exporter to identify new partners, most recently including Amazon.cn and a North-China importer/distributor. Initial sales from these new connections, identified at the tabletop trade show, amount to \$32,000, but substantial additional orders are expected shortly. ATO also connected them with online retailer Womai.com, who has booked orders of \$115,000 of snack foods, with additional orders likely.

Sun Foods – The Missouri Department of Agriculture introduced ATO to Sun Foods, a company marketing a range of U.S. nuts and snack foods. ATO worked with Sun to build a solid list of meetings with Beijing and Tianjin-based importers, as well as arranging meeting logistics and locating free meeting space. The following week, Sun commissioned a local representative to participate in ATO/Beijing's Tabletop Trade Show. This activity brought in potential buyers, many of them from second and third-tier cities, as well as major retailers such as BHG and online venues including Amazon.cn. Sun the following week hosted a booth at the ATO/Shanghai organized FHC Trade Show. Sun reports making over thirty new contacts with potential sales of up to \$800,000 during their pass through Beijing. Sun estimates potential sales for their full time in China, including the FHC show, at \$3,000,000.

Joyvio and Blueberries – In early 2013, Chinese tech conglomerate Legend Group launched Joyvio, a new company dedicated to trading fruit and fruit products, particularly blueberries. Joyvio quickly acquired production assets in China and Chile. Joyvio quickly developed an interest in sourcing from the U.S. as a counterseasonal supplier to Chile. ATO has continued to build the relationship with Joyvio, helping to make them an advocate for market access for U.S. fresh blueberries, as well as sourcing dried blueberries and other products. One byproduct of this was the purchase of two small (sub container-sized) shipments of blueberry

wines from a Florida winery.

Continuing Success Stories

The following items demonstrate how multiple efforts by ATO over a long period of time help to build the best kind of export success – ongoing long-term sales.

Food Ingredients Initiative – Over the past three years, ATO/Beijing has targeted China's fast-growing processed food sector as a market for U.S. food ingredients. Funded through grants from USDA's Emerging Markets Program, this initiative identified North China's largest food manufacturers (makers of frozen dumplings, bean noodles, instant noodles, dry noodles, ice cream and confectionery), and targeted them with a series of lectures on U.S. ingredients and their uses in manufactured food. One early success was the placement of U.S. frozen blueberries into sweet dumplings. Because this is a broad, sector-focused project, individual successes are difficult to identify. However, U.S. exports of peas, buckwheat and flax to China, all products targeted by the initiative, hit record levels. U.S. exports of dry peas alone (used to make fensi, a clear noodle) rose from \$10 million in 2012 to over \$24 million by November 2013, as the number of fensi manufacturers doubled. If nothing else, ATO targeted the right sector. Dry peas exports are also strongly supported by the Dry Pea and Lentil Council, which has done outstanding outreach work with fensi manufacturers.

Another measure of this project's success is buy-in by industry and other partners. The State of Nebraska has been a strong supporter, providing technical speakers and hosting reverse missions. North Dakota has gone one better, launching its own series of events. ATO is supporting the North Dakota events by connecting them with domestic partners and providing feedback on stakeholders and content. Buy-in from Chinese industry has also been strong: previous participants in the program (including China's largest dumpling manufacturer) now serve as speakers at these events, describing their experience incorporating U.S. ingredients into their products to other Chinese food manufacturers. The China Institute for Food Science and Technology has been an unflagging supporter, and state importer CFNA as well as the China Bean Products Manufacturing Association, have all supported this effort. ATO is now being approached by Chinese manufacturers to help them organize self-funded visits to the U.S. to learn more about U.S. ingredients and applications.

McJayden Infant Formula - Over the past year, ATOs in Beijing, Shanghai and Chengdu have worked with a U.S. company to launch the first U.S. – origin infant formula to be certified organic in China, under the auspices of AIW Management. The brand, McJayden, sources organic whey from Westby Cooperative in Wisconsin. ATO/Beijing supported the original product launch in April, then in October, helped an AIW-organized press team to meet with USDA officials in Washington to learn about U.S. organic products and organic certifications. The press coverage, while obviously supporting McJayden's efforts, is broadly supportive of U.S. organic products, and the program is scheduled to air on national TV in February. AIW reports that McJayden sold \$2.5 million in 2013, and projects sales to triple in 2014.

AIW's activities go beyond the McJayden label. They were the first organization to get a U.S. dairy (Organic Valley) qualified as organic under Chinese regulations. This represents a new approach to organic

qualifications, using a third party to organize the process. Chinese regulations stipulate a long and complex certification process that includes intrusive inspections of not only the processor, but suppliers of feed and other inputs. Few processors have been willing to undertake this arduous effort, and, to date, only this third party-facilitated approach pioneered by AIW has proved successful. Demand for high-quality and safe dairy products in China is massive, and consumers put a very high premium on certified organic products.

More Support for Organics – ATO was able to put its experience with the organic certification process to work in helping a second facilitator get a U.S. dairy certified as organic in China. Working with AAO, ATO assisted this company in navigating the complexities of China's organics and infant formula certifications processes, particularly where the two processes for (dairy certification and organic certification) appeared to conflict. As a result, Baby's Only infant formula has been certified organic in China, only the third U.S. product to gain this recognition. The facilitator who managed the process is now working on China Organic certification for a manufacturer of processed fruit snacks for infants. If successful, it will be the first U.S. non-dairy product to obtain this certification. The presence of certified U.S. organics in the market adds to the reputation of U.S. food products in general, and is helping to build consumer recognition for U.S. organics in particular.

Wondermilk – Long term efforts by ATO, the U.S. Grains Council and others have helped make Huaxia Dairy, the makers of Wondermilk, a major success story for U.S. feed and genetics, as well as an exemplar of good dairy management. ATO has included Huaxia in missions to the Dairy Expo, and they have participated in training programs led by Worldwide Sires, CRI, the Forage Export Council and other USDA cooperators. Huaxia sources primarily U.S. dairy genetics and U.S. feed ingredients. They purchased 5,976 MT of U.S. alfalfa from January-November 2013, and expect purchases to exceed 10,000 MT in 2014. Prospects for future sales are outstanding, as Huaxia's reputation for top notch product quality and management has led to inquiries by major food processors. The organization plans to double their processing capacity in the near future, and is limited mainly by the pace at which they can train staff in their management model. ATO is working with Huaxia on this front as well. Demand for quality dairy products is so high that Huaxia is now in discussion with U.S. dairies to import U.S. milk as an additional product line to meet China's seemingly bottomless demand.

Sinoma – ATO/Beijing has been working with state-owned commodity importer Sinoma for the past two years to develop the market for feed ingredients. Sinoma initially approached ATO seeking to source rice bran as a feed ingredient. ATO worked with APHIS and Sinoma to navigate the market access process and gain approval for this product. During this process, Sinoma acted as a much-needed domestic advocate for this product. Since then, ATO has worked with USDA cooperators to help Sinoma identify sources of bran, as well as sourcing DDGS, whey and alfalfa. ATO is now working with Sinoma, APHIS and the Sugarbeet Association to develop market access for sugarbeet pulp. Sinoma's total purchases of U.S. feed ingredients this year reached \$83 million, including \$8.6 million in rice bran.

Cattle Genetics – ATO has worked with both Worldwide Sires and Cooperative Resources International to address a range of problems facing cattle genetics. Specifically, ATO has worked with these organizations on EMP-funded grants that address technical knowledge and use of genetics on the one hand, and market access and regulatory issues on the other. For the former, ATO has worked with WWS to make the Beijing-based

training center for dairy management and feed a success, recruiting Chinese dairies and potential U.S. partners. For the latter, ATO has provided support for the grant process and has made connections with Chinese government officials and academics, as well as providing general official support for events and activities. This has led directly to increased exports: Worldwide Sires reports that, since the project started in 2011, their exports of semen have increased as a direct result. Overall U.S. exports of bovine semen to China climbed from \$2.7 million in 2009 to \$11.6 million in 2013.

Breeding Swine – In 2010, APHIS and ATO/Beijing worked to help re-open the China market to U.S. breeding swine. Since then, ATO has worked with USLGE and the Swine Registry to organize seminars demonstrating the advantages of U.S. swine genetics, as well as supporting the activities of U.S. breeding swine exporters, such as Whiteshire Hamroc and Waldo Farms, in China. ATO further worked with industry and AAO when a change in import requirements threatened to shut the market down in early 2013, and has monitored this dormant issue since. Since 2010, live breeding swine exports to China increased from \$1.2 million to \$17 million in 2012, then again to nearly \$20 million in 2013.

Wisconsin Ginseng – ATO continues to support the Ginseng Board of Wisconsin as their industry recovers from the damage caused by widespread IPR infringement and counterfeiting years ago. Earlier this year ATO organized the official signing ceremony for a purchase agreement their largest buyer, Tong Ren Tang, with Governor Scott Walker and Ambassador Locke as witnesses. The purchase agreement is an important part of GBW's strategy for China, by far the largest buyer of Wisconsin ginseng, as it provides for guaranteed purchases, and gives a powerful domestic player an interest in protecting GBW's brand in China. ATO followed up later in the year by incorporating Wisconsin into our New Media Tour, bringing China's top blogger on nutrition, among others, to see how Wisconsin ginseng is produced. The bloggers participated in the ginseng harvest, learning why Wisconsin's focus on small-scale production results in higher quality, making their product the gold standard.

Chang International – During a trade mission In 2009, ATO/Beijing made contact with Chang International, a Qingdao-based company processing U.S. seafood for re-export to North America and Europe. In discussions with ATO's Chinese buyers, owner Jerry Chang recognized the potential demand for high-end seafood in China's domestic market. ATO quickly incorporated Chang International into the CSSF-funded U.S. Food Festival at HiSense Plaza stores in Qingdao and Tianjin. This event connected Jerry with the Alaska Seafood Marketing Institute and other cooperators and State and Regional Trade Groups (SRTG) to develop additional promotional activities. ATO has since provided connections for Chang International to BHG High-End Markets, Parkson's Plaza and other premier retailers, and Chang has participated in and supported a number of ATO-run promotions such as the 2012 CSSF-funded chef training in Qingdao. ATO also connected Chang International to the other China-based ATOs, who have built Chang's products into their own market development efforts, helping them become a nationwide brand. By 2013, Chang International, once exclusively a processor for re-export, sold an estimated 15% percent of their product, at an estimated value of \$10 million, domestically. By 2014, Chang estimates domestic sales will comprise 23% of their total. Chang sources their U.S. seafood primarily from small fisheries, with an emphasis on native American communities in the Pacific Northwest and Alaska.

Napa Oriental – Zhengzhou-based wine club Napa Wine Country (NWC) purchased U.S. winemaker Silenus in 2010, partly as a result of an ATO-organized wine education seminar that they participated in. Since then, they have become an aggressive proponent of U.S. wines. They created an import and distribution company in Beijing under the name Napa Oriental, and have participated in multiple ATO-organized activities. When ATO took 12 Beijing-based wine importers to Zhengzhou in 2012, Napa Oriental provided crucial connections in that city. The event was massively oversubscribed and our wine importers were very happy with the connections they made with local winesellers. As of 2013, Napa Oriental was shipping 8 containers of California wine per year. In 2014, they plan to expand their product line to include U.S. foodstuffs.

Ektimo Vineyard - Ektimo is the first Chinese- owned vineyard in Sonoma, California. The company started their marketing efforts in China in 2012 and ATO Beijing has cooperated them in promoting U.S. wines on a number of occasions over the past year. Apart from the wine education seminar at the Beijing American Center (see item under Consumer Outreach), ATO Beijing introduced the company to the California Wine Institute, who involved Ektimo in upcoming trade shows such as Prowein, and other promotional activities. As with various other wineries (Frank Family Vineyards, Silenus, Carmody-McKnight Vineyard, Four Sisters, Old North State, etc.) ATO Beijing has participated in Ektimo's promotional events to build further recognition for U.S. wines. Ektimo's media launch in Zibo, a city of Shandong, attracted more than 100 trade contacts, as well as about 15 media organizations to report the event. Media coverage in smaller (less than 10 million people) cities like this and Zhengzhou tends to be far stronger than in urban centers like Beijing. For 2013, Ektimo sold an estimated \$250,000 in Sonoma wine.

Ice Cream – A Pennsylvania-based ice-cream manufacturer (name withheld by request), contacted ATO for potential buyer contacts in North China in 2009, while building an export program through Food Export Northeast. ATO connected them with restaurant chain Golden Jaguar, which added the product to their regular buffet menu. This account established the brand's presence in China and drove their expansion. ATO encouraged the company to develop new products, which were included in the ATO-organized USA Pavilion at the China International Cuisine Expo in 2012. This included a line of ice cream mooncakes, developed with ATO prompting, exclusively for China. The brand is becoming widely recognized in China, and in 2013, total sales reached \$2.7 million.

Prevention and Intervention

For the U.S.' largest agricultural export market, some accomplishments are measured not in sales made, but problems avoided. In addition to market development, China ATOs also act as eyes and ears on the ground for the Agricultural Affairs Office, spotting unannounced changes in policy and enforcement practices at ports, and chasing down rumors of new problems. Following are some of the cases where ATO/Beijing has intervened to help keep trade flowing or otherwise avoid trouble. This is by no means an exhaustive list.

Cranberries/Shandong – ATO responded to a request for support forwarded through the Foreign Commercial Service office. A container of frozen cranberries, worth roughly \$30,000, was stuck in Qingdao Customs over documentation issues. ATO discussed with the importer and Qingdao Customs and was able to obtain release

of the container. The source of the issue was a longstanding documentation problem. Resolution at the Provincial level (rather than the port) may ensure that this issue does not appear again in Shandong.

Rice to Mongolia - In September, APHIS and ATO/Beijing worked with a U.S. exporter interested in moving rice to Mongolia via the port of Tianjin in China. ATO's prior experience with this same exporter was a key factor in the case, as it was ATO, working with APHIS, that got a prior container from the same company, released two years earlier. This earlier case alerted the exporter to the potential difficulties of transshipment via China, but also gave them the experience of working with APHIS and ATO, leading them to consult with both offices prior to shipping. APHIS was able to work out the terms of transshipment with their Chinese counterparts in advance. Although shipment of the cargo was delayed, it is expected to amount to 9 containers of 20 MT each.

Softwood Lumber Shipment intervention - ATO was contacted by a U.S. softwood lumber company regarding 4 containers of softwood lumber that had been held in the port of Qingdao due to discrepancies in the documentation. ATO issued a letter to Customs, following which the containers were released. The value of the shipment was \$45,000.

Hides intervention – In November, ATO/Guangzhou alerted ATO/Beijing to several shipments of hides and skins being held by Shandong/Binhai Customs over questionable value declarations. ATO contacted Binhai Customs directly, and determined that the local authority was trying to learn whether branded hides and unbranded hides (both were listed in the manifest, but not by quantity) were valued differently. ATO was able to resolve their concerns, and five containers worth a total of \$375,000 were released.

Fraud Alert – ATO received multiple inquiries from U.S. wineries and distilleries regarding a single buyer from the inland city of Xi'an. The inquiry was for an extremely large quantity of product with very fuzzy specifications and some rather odd terms attached. ATO was able to advise the companies that others had received similar inquiries with similar conditions attached, and further, that the prospective buyer appeared to have no prior business in this area. Additionally, based on an incident earlier this year, ATO advised that a similar transaction that year had ended badly when a similar (possibly the same) buyer had attempted to renegotiate terms after the container had been packed for shipping. A final purchase under more conventional terms never materialized, and in ATO's assessment, the inquiry was almost certainly fraudulent.

Almond Board lawsuits issue – ATOs in Guangzhou and Beijing worked closely with AAO and the Almond Board of California (ABC) when a product name change triggered a series of consumer lawsuits. Specifically, the ATOs initially acted as eyes and ears for ABC and AAO with the local and national government offices connected to the case, collecting and feeding information back to these organizations so that they could consult with their members and build a response strategy. Although the bulk of the heavy lifting was carried by the Almond Board, ATOs provided critical information in the early stages of this situation.

Government Relations

The interventions above were enabled by ATO's continued efforts to build relations with Chinese government counterparts, especially at the Provincial and individual port level, where enforcement takes place. The following are examples of the typical ATO outreach efforts.

FSIS in Tianjin – Tianjin is the primary port of entry for Beijing and much of North China, but quarantine issues for U.S. meat and poultry entering through Tianjin over the past three years have been substantial. Many of the issues are questions of trust on the part of Tianjin quarantine authorities (CIQ) in the documentation provided by their counterparts in the U.S., the Food Safety Inspection Service (FSIS). In September, a visit to Beijing by FSIS Administrator Almanza offered the opportunity to reach out to them directly. With support from the Office of Agricultural Affairs, ATO arranged a port tour by the Administrator to the meat inspection offices of CIQ/Tianjin. The visit not only gave CIQ a higher degree of confidence in FSIS' efforts, but alerted the FSIS Administrator to a number of easily-resolved concerns that CIQ had regarding the exterior labeling of U.S. meat products. ATO notes that there were no significant quarantine issues raised for meat in Tianjin during the months following the visit.

NDTO IP Soy events – Working with the North Dakota Department of Agriculture, ATO was able to arrange a briefing for Chinese quarantine officials on the benefits to Chinese consumers and food processors of easing access for identity-preserved soybeans. Imports of IP soybeans are currently hampered by China's zero-tolerance policy on the adventitious presence of GM products in the cargoes. Thanks to ATO's efforts, the Chinese quarantine authority (AQSIQ) was represented at the Director General level, unprecedented access for state-level delegations. AQSIQ was receptive to the message, but noted that access for these products was caught up in China's broader regulatory issues relating to GMOs. The effort helped build direct contact between North Dakota and AQSIQ, and provided AQSIQ with useful background information on U.S.' ability to supply products to very specific requirements.

Beijing Airport Customs cherry deposits intervention – In February, in response to concerns voiced by China Customs, ATO arranged an exchange of information on cherry pricing practices through USDA Cooperator group Northwest Cherries. Customs has previously jailed traders for perceived fraudulent declarations of value on various products. However, due to this timely intervention, Customs was able to build a better understanding of pricing practices for cherries, and why different cargoes were valued at different price points. Exports hit \$33 million, becoming the second largest category of U.S. fresh fruit exported to China in 2013 (behind grapes), and nobody went to jail.

Consumer Awareness

A key obstacle to greater sales of U.S. products is the Chinese consumer's general lack of familiarity with U.S. products. While most consumers have a positive view of the U.S. as a supplier of quality foods, they are unfamiliar with the specific products and how they are used. Awareness for U.S. wine is particularly low. ATOs play a critical role in building recognition through public outreach. Lacking large media budgets, ATO seeks to accomplish its goals by piggybacking on other events and/or using the high profile provided by the Embassy. Both U.S. exporters and Chinese importer/distributors are eager participants in these events. In China, consumers tend to be cynical about traditional media, trusting to word of mouth. New media, largely

unregulated and beholden to major interests, tend to be treated by consumers as an extension of the word of mouth, and therefore more unbiased.

New Media Food Tourism Tour – ATO led a team of Beijing bloggers with a combined followership of 2.2 million to visit key food and agriculture sites in the United States, in California, Colorado, Wisconsin, Maryland and Virginia. Among the sites that Mr. Dong Jianmin (Shi Shang Xiao Mi – one of China's top nutritionists as well as a popular blogger) and Mr. Gu Zhongyi visited were vineyards, horse ranches, dairies, ginseng and cranberry farms, farmer's markets, universities, a trade show, and signature restaurants featuring local produce. The program inspired the bloggers to tweet frequently as they traveled, and they wrote numerous blog articles about U.S. agriculture afterwards. ATO was able to keep the cost of this tour minimal by working with private companies, state departments of agriculture and state tourism boards to organize the trip and fund many of the site visits. Support was tremendous and our partners in each state made the bloggers feel very much welcomed. By the end, the bloggers wrote 213 short entries and 10 full-length articles, media coverage valued at (using ATO/Shanghai's excellent media equivalency formula) \$148,000.

Northwest Cherries PR Blitz – Working with ATO/Shanghai and Northwest Cherries, ATO supported a major publicity blitz for the Northwest cherry season. ATO enlisted Ambassador Gary Locke, a celebrity in China, to support not only the online promotion with TMall, but to make a personal appearance at a Sam's Club store to help build awareness and interest for cherries from the Pacific Northwest. The extraordinary media coverage of this event not only benefitted the U.S. cherry industry and our Chinese partners, but surely confirmed Ambassador Locke's star power with the Chinese press. The TMall promotion, headed up by ATO/Shanghai produced unprecedented numbers for online sales. In Beijing alone, over 10,000 pre-orders were confirmed before sales commenced.

ATO Partners with Wine Industry Cooperators – ATO has worked closely with U.S. wine industry cooperators as they have ramped up their programs in China. ATO has ensured that U.S. wineries with an interest in China are aware of the Wine Institute (WI) and the benefits of membership, resulting in at least one new member (Ektimo) in 2013. ATO has also introduced WI to key local contacts, recruiting high-profile restaurant Da Dong and e-commerce platform JD.com, to join CWI's trade delegation to California. ATO also supported the Napa Valley Vintners in setting up an outreach event at the Ambassador's Residence to celebrate China granting the Napa Valley name protected status.

American Style and Culture Event – Over the past year, ATO has made a concerted effort to place U.S. food products into high-profile events organized by other U.S. Embassy offices, building awareness at minimal cost. One of these was a Commercial Service event to promote top U.S. luxury brands, such as Steinway, at the Embassy. ATO arranged for a U.S. wine importer to donate product to the event, in exchange for sponsorship credit. The importer, Thirvin, reported that the event was a good return on their investment, helping to build awareness of their label in an environment that defined them as a high-end luxury product (exactly where they wanted to be).

FCS Golf Industry Reception – Another cooperative event with the Foreign Commercial Service involved an

industry reception for golf equipment suppliers and their clients. ATO recruited new-to-market wine distributor Sino Vino Partners to provide a guided tasting of California wines as the centerpiece for the reception. SVP was very happy with the high-level corporate connections that they made at this event, and FCS was pleased to have the wine tasting as an event to organize the reception around. The negligible cost of this event was covered from FAS CSSF marketing funds. SVP has moved two containers of product in recent months.

Cooperative Embassy Outreach – A cooperative effort by ATO and the Embassy's Public Affairs Section yielded outstanding results with two events at the Embassy's Beijing American Center (BAC). The BAC provides a venue that is available at no charge and suitable for audiences of up to 120. For the first outreach event at BAC, ATO invited Ektimo, a Sonoma winery with a native-Chinese speaking wine educator on staff, to provide education to a mixed audience of consumers and food and wine media. Ektimo also donated product for tasting. Ektimo was very happy with the exposure the event offered for them, and audience members commented that the event was exactly what they needed to understand and appreciate wines from the United States. Wine industry events in China tend to focus on more the advanced knowledge needed to appreciate specific labels, leaving the bulk of China's freshman wine consumers in the cold.

ATO followed up on the first BAC event, working with AAO on an outreach event featuring USDA Under Secretary Darci Vetter. The BAC staff were also crucial in helping recruit press contacts to cover the event. In addition to making the connection to the BAC, ATO recruited trade contacts to donate a range of U.S. snacks and beverages, highlighting the products available from the U.S. During the event, the Under Secretary address food safety and other issues, such as the persistent belief among Chinese consumers that the U.S. does not utilize GMO products in its own food products, but only exports them to other countries.

Incorporating U.S. wines into Private Sector Cultural Events - The Hutong is a Beijing-based club holding various cultural exchange events. ATO Beijing introduced Ektimo Vineyard and Sino Vino Wines to sponsor the Hutong's serial event - Discovering American Jazz and Wine. California wines have been introduced to audience through great music and fun atmosphere. ATO Beijing is working with local traders to introduce more U.S. wines, including non-California wines, to more Hutong events.